

BUDGET LETTER

SUBJECT: STATEWIDE INFORMATION TECHNOLOGY OVERSIGHT	NUMBER: 02-37
REFERENCES: EXECUTIVE ORDER D-59-02 MANAGEMENT MEMO 02-16 SAM SECTION 4819.36	DATE ISSUED: October 16, 2002
	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Agency/Department Chief Information Officers
Departmental Information Security Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The Budget Act of 2002 creates information technology (IT) oversight and security programs within the Department of Finance (Finance). This Budget Letter (BL) describes how Finance will implement a statewide IT oversight program (a future BL will describe the statewide security program). This letter also revises a reporting requirement previously issued in Management Memo 02-16.

(Please remember that all IT policies and procedures will be promulgated through Finance BLs. Budget Officers: Finance will e-mail copies of IT-related BLs directly to Chief Information Officers (CIOs) and Information Security Officers.)

IT Oversight

Executive Order D-59-02 and Management Memo 02-16 assigned responsibilities for IT management and oversight following the sunset of the Department of Information Technology on June 30, 2002. Those documents outline an approach that vests IT management responsibilities with each department director, and oversight responsibilities with each Agency. For departments operating outside Agencies, the department director is vested with both management and oversight responsibilities.

Expanded structure for IT oversight. With the creation of a statewide IT oversight program in Finance, the IT governance established in the Executive Order and Management Memo is being expanded to clarify each department's responsibility for project oversight and to include Finance oversight of the most sensitive/critical IT efforts. Finance's objectives for oversight are to:

- Implement an effective system of graduated oversight for **all** IT projects.
- Assess current department/Agency IT project management and oversight practices and establish statewide standards for project management and oversight.
- Participate with other control agencies and State IT leaders in the resolution of critical IT issues, and as necessary, establish operational IT policies and procedures.

Project oversight definition. Project oversight is an **independent** review and analysis of specific project activities and documentation to determine if the project is on track to be completed within the estimated schedule and cost, and will provide the functionality required by the sponsoring business entity. Project oversight identifies and quantifies any issues and risks affecting these project components. Effective project management addresses the results of project oversight and establishes appropriate remediation plans for the identified project risks.

Graduated project oversight. Finance will establish a framework for **graduated** project oversight that will assess the risk, sensitivity and/or criticality of IT projects, and assess the ability of the department/agency to effectively manage IT projects, to determine whether project oversight will occur at the department, agency, or Finance level.

- **Departments are responsible** for providing independent oversight for **all** of their IT projects. **Independent** means that oversight reviews are conducted by an entity other than the project team and the results of oversight are reported both to the project manager and the CIO level within the organization. The quality of the oversight activities, tracking of remediation efforts, and appropriate notification of project risks and issues to the agency level, are the responsibility of the CIO.
- **Agencies are responsible** for overseeing the **critical IT projects** within the Agency. (This is in addition to the oversight provided by departments.) The quality of the oversight activities, tracking of remediation efforts, and appropriate notification of project risks and issues to the control agency level, are the responsibility of the Agency Information Officer. Effective August 2002, each Agency (or department not reporting to an Agency) was required to implement a plan for independent project oversight. Over the next three months, Finance will develop and release standards that agencies will incorporate into those plans to strengthen them (see *Next Steps* below).
- **Finance is responsible** for providing oversight of the **most critical IT projects**, as viewed from a broad government business perspective. (This is in addition to the oversight provided by departments and Agencies.) Finance will review the findings of the Agency level oversight reviews and provide direction, as necessary, on remediation efforts. Finance will also provide appropriate notification to the Administration and the Legislature of project oversight activities, and project risks and remediation efforts.

Assessing departments/Agencies project management and oversight practices. Finance will evaluate the demonstrated degree to which the departments/Agencies have established project management and internal project oversight practices and processes that support the successful implementation of IT projects. This assessment will include: the review of recently completed IT projects to determine the degree to which they were successfully implemented; an independent assessment of projects currently underway to determine the effectiveness of current project management and oversight activities; and periodic participation with the Agency IT executive team during the project review process. The initial evaluation will be reviewed and revised as departments/Agencies have additional opportunity to demonstrate their increased ability to successfully manage IT within their organization.

Statewide IT Issues. It is the responsibility of department/Agency CIOs to identify issues that significantly affect their ability to manage IT activities in the State and work with the appropriate statewide entities to address and resolve those issues. These activities include but are not limited to: major IT procurements, security issues and their resolution, directions for the implementation of new technologies, and the use of the data centers. As necessary, Finance will participate in these efforts and will provide direction through future BLs.

Next Steps. Finance's immediate objective is to create the framework for the effective oversight of IT projects. To do this, Finance will review existing project documentation, August 2002 Agency IT Oversight Reports, and industry standards and best practices to establish: the initial criteria for project oversight; the initial criteria for assessing department/Agency project management and oversight practices; project lists that identify, for each project, the oversight level; and initial project oversight reporting forms and guidelines. Finance will subsequently schedule meetings with departments/Agencies to review the initial information and address any questions or concerns. Based on the results of the department/Agency meetings, Finance will complete the framework and establish a schedule for regular project reviews and reporting. The final oversight framework and reporting schedule will be documented in a BL scheduled for release in early January 2003.

Therefore, Finance is revising the requirement for Agencies to submit an oversight report on October 7, 2002, as documented in Management Memo 02-16, and will instead include detailed future reporting requirements in the January 2003 Budget Letter.

If you have any questions concerning this BL, please contact Karen McMahon, Technology Oversight and Security Unit, at (916) 445-4157.

A handwritten signature in black ink, appearing to read 'K. Radtkey-Gaither', with a stylized, cursive script.

KATHRYN RADTKEY-GAITHER
Assistant Director